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LEAD STORY:
Swift oil market rebalancing easing floating storage

WHAT TO WATCH:
Crew change crisis: Renewed calls for governments to act

Shipping warned it risks losing crews if it abandons seafarers

ITF acts to get seafarers off ships as deadline passes

Greek owners urged to halt Venezuela calls

ANALYSIS:
Braemar defends decision to drop dividend payout

Funding shipping's decarbonisation will not be a private issue

MARKETS:
Owners say worst is over for dry bulk as China-led demand rebounds

LNG shipping rates soften as demand fades

Box terminal expansion plans put on hold

IN OTHER NEWS:
Norden to consolidate product tankers with Diamond S

Braemar axes dividend despite improved results

ONE turns to Xpress Feeders for Baltic services

MOL agrees shipping deal with US methanol project

Novatek's Arctic LNG 2 Train 1 on track for 2022 completion

Navios Logistics lines up $500m private placement

Freight sector raises UK customs training challenges

Swift oil market rebalancing easing floating storage

THE OIL MARKET rebalancing is easing pressure on floating and onshore storage capacity, according to the International Energy Agency, which released its monthly report today.

Crude demand is returning faster than expected alongside significant production cuts in key Middle East Gulf countries that began in May amid efforts to restore oil prices, which plunged to 21-year lows during April.

Although the global crude tanker market relies on exports from the Gulf to generate most of tonne-mile demand, fewer shipments are being offset by a swift rise in Chinese crude imports.

But the focus remains on the scale and pace of unwinding of floating storage of surplus crude and refined products.

The build-up over the past three months has helped shield tanker owners from the record collapse in demand as surplus and unsold cargoes were kept on ships.

Monthly Chinese imports have already returned to year-ago levels, according to IEA chief Fatih Birol.

This is counter-balanced by falling tanker demand as producers' record-high compliance with a pact made by the 23-nation Organisation of the Petroleum Exporting Countries-plus alliance to cut output through to July seems to be holding firm. Chinese buying is always strong, even when economic conditions are poor, as long as oil is very cheap.

Global crude stocks were estimated to build by 5m barrels per day in the second quarter of 2020, the IEA said, based on production, refinery runs and direct burn calculations. Floating storage peaked in May with 3.5% of total tanker capacity used, the agency said.

Global onshore storage was seen at 5.1bn barrels at the end of May, with total capacity at 6.7bn barrels.

"From June onwards crude stock will draw amid steep production cuts and a recovery in refinery runs. This should lower considerably the pressure on storage capacity," the report said.

Some 261m barrels is currently tracked in clean and crude floating storage, on panamax-sized tankers and larger, according to data from Lloyd's List Intelligence. That is down from the record 292m barrels seen on June 5. Numbers include Iranian-owned tonnage that is not trading.

Deep production cuts are cutting the surplus that built as the coronavirus pandemic that has swept across the world since February.

Last month, US cuts were an estimated 1.5m bpd, compared with 3.7m bpd from Saudi Arabia, and 1.95m bpd from Russia, the second and third-largest producers after America. Global oil production fell by 11.8m bpd last month to 88.8m bpd, with a further fall of 2.4m bpd expected in June.

"The big picture for total oil output shows that the US could suffer the deepest supply losses over 2020-21," the report said. "Even so, it will retain its rank as the world's largest producer of crude oil.

Assuming Opec-plus supply cuts remain in place, Russia, Iraq and the UAE will also see output well below 2019 levels.

"Only Norway, Brazil and Guyana are expected to post any meaningful increases over the two-year period as new offshore projects start up."

Global oil output is to fall by 7.2m bpd in 2020, with a "modest", 1.7m bpd recovery in 2021, the IEA said. That assumes no second wave of coronavirus.

"The worst is behind us," said Neil Atkinson, head of oil industry and markets on a media call this morning. "We see the market moving into deficit in the second half and pretty strong stock draws implied by our current numbers."

Demand remains fragile for middle distillates, including jet fuel, and may favour reduced crude runs from refineries, the IEA said.

"Continuously lower jet demand will force refiners to keep diverting kerosene fractions to the diesel pool, potentially increasing its supply by up to 7-10%," according to the report. "With diesel demand also fragile and conditional on macroeconomic prospects, refinery margins will struggle to find a strong core for the next couple of years.

"This could favour reduced crude runs, to limit output of gasoil and kerosene, while increasing utilisation rates of conversion capacity to produce gasoline and other components. In turn, this would result in boosting refinery demand for heavy feedstocks, contributing to an overall tightening of products at the bottom of the barrel."

WHAT TO WATCH

Crew change crisis: Renewed calls for governments to act

GOVERNMENTS are facing renewed calls to facilitate crew changes and repatriate thousands of seafarers who have been stranded at sea for months.

Shipping is facing a humanitarian crisis, according to International Maritime Organization secretary-general Kitack Lim.

"I implore governments to do more, today — this cannot wait," he said in a video message during the Capital Link Forum on Tuesday.

"This is now a real safety issue, endangering the safe operation of ships. We cannot expect seafarers to stay at sea forever."

Alarm about the number of seafarers stranded at sea beyond their employment contracts — and in some cases beyond the permitted limits of international law — due to coronavirus-related restrictions has been prevalent over the past few months.

Time, however, to act has technically already ran out as an agreement between seafarers and employers to

extend expired contracts by one month ran out on Tuesday.

Most governments have failed to act sufficiently, leaving seafarers abandoned and global trade even more vulnerable to disruptions.

Unions are now saying they will unilaterally support seafarers seeking to stop working and return home.

Shipmanager association Intermanager has recorded the repatriation of 29,879 seafarers, which accounts for 10% of the 300,000 seafarers that must be repatriated.

Mr Lim recognised that some governments have heeded the warnings, designating seafarers as key workers, to facilitate crew changes by implementing crew change protocols developed by industry, and endorsed by the IMO.

Others have not done enough though and he warned things are at a critical point.

"Some seafarers have now been marooned at sea for 15 months, months over the maximum time at sea of 11 months set out in the International Labour Organization Maritime Labour Convention," Mr Lim said.

Despite the level of industry co-operation and publicity, government support appears to have been limited and the problem remains unaddressed.

Intermanager secretary general Kuba Szymanski called out Singapore, Qatar, the United Arab Emirates, in particular, for their inaction on crew changes.

"Guys stop being selfish. You are not allowing us to get seafarers home, but you would like our services. It cannot be a one-way streak. Please we need to co-operate," he told the countries in a video statement this week.

"You promised, Singapore and the United Arab Emirates will be the capitals of shipping. Well, keep to your promise please. We have to work together. We have to get seafarers home."

Intercargo chairman Dimitris Fafalios told the Capital Link Forum there should have been action on crew changes and repatriations "yesterday".

The head of the international dry bulk association acknowledged that some ports in the US, Europe, Australia, Hong Kong, Japan, South Korea have been taking on crew changes.

"But, I emphasise that effective crew changes must include sign-on and sign-off of seafarers of any nationality, not just the nationality of the port of loading or port of discharge," he said.

Mr Fafalios said that a major problem is that flights needed to repatriate stranded crews are mostly absent.

"Seafarers stuck on board for months watch the news where governments and airlines argue about the terms of financial aid offered to the air transport sector," he said. "The transportation of vital workers is apparently of secondary importance."

BIMCO president Sadan Kaptanoglu said the industry has to continue to lobby with governments, who are focused on ensuring domestic stability but must understand that without seafarers that will not happen.

"We are working and we will continue, but everyone runs with their own time, unfortunately."

Shipping warned it risks losing crews if it abandons seafarers

SEAFARERS may abandon shipping if the industry does not solve the crew change crisis, a webinar has been warned.

"We are risking that tomorrow there will be no seafarers," Salvatore d'Amico told a Capital Link webinar.

"It's not a matter of putting them in a position to travel. One day it could be that they are not willing to risk to remain away from their families," he said.

The fleet director of d'Amico International Shipping said he usually received 100-150 job applications on LinkedIn, but had received just two for cargoships during the pandemic.

He said many seafarers were "running away" from the industry out of fears the risks were too great.

Mr d'Amico said the industry was less prepared for the crew-change crisis since than it was in past decades when contracts were longer. "We need to find a solution," he said.

Other speakers commented that the risk of deterring new talent had been present for 20 years.

Anglo-Eastern Univan Group chief executive Bjorn Hojgaard told the forum his group had done nearly 1,500 crew changes in the past three weeks, but more than 5,000 were still due for relief.

Seafarers' home countries and ports had to be open and flights available, he said. But there were still "major bottlenecks". Lack of quarantine facilities in home countries was also problem, he added.

Mr d'Amico said his company was "still in full emergency mode" despite recent movement of crews. He said his main concern was for those ashore waiting to board not earning money. "In countries like India where one seafarer provides food for 10 families this is a giant disaster," he said.

International Chamber of Shipping secretary-general Guy Platten said bureaucratic hurdles such as visa requirements remained sticking points and called for "co-ordinated political action" by governments. Only about 25%-30% of needed crew changes were taking place.

International Transport Workers' Federation general secretary Stephen Cotton said lack of flights and visa and testing requirements had slowed progress. He said the crisis had shown the industry could put its other issues aside, but crews should not have to rely on the loyalty of their employers alone.

Cyprus' deputy shipping minister, Natasa Pilides, said her government had not required visas for crews and provided tests at the airport and hotels for quarantine.

Other industry groups have added to calls for action on crew change. The UK Chamber of Shipping has written to Prime Minister Boris Johnson calling for UK a virtual global summit on the problem.

"In the early stages of the lockdown, the UK government set an excellent example to the rest of the world by pledging to keep ports open for crew changes and shore leave. We need to see other countries reciprocate and we need this to happen now," chief executive Bob Sanguinetti said.

The Container Ship Safety Forum also echoed calls on governments to allow crew changes, saying they could not be delayed indefinitely.

ITF acts to get seafarers off ships as deadline passes

UNIONS plan to unilaterally act to help seafarers exercise their right to stop working, leave ships, and return home, regardless of the consequences to global trade after a deadline for governments to resolve the crisis passed without the necessary outcome.

Seafarers who have completed their contracts have the right to be repatriated, and if this is not possible, then they would remain on board as a passenger, the International Transport Workers' Federation said in a statement.

Warning that the consequences could be that vessels will be unable to sail if the manning level is inadequate, the impact on crews had reached the stage where "enough is enough", according to ITF president Paddy Crumlin.

Tens of thousands of seafarers have found themselves stranded on vessels as a result of the impact of the cornavirus backdrop. The ITF says some individuals have been on board for more than a year.

"We have to draw a line in the sand and today is the day that we make it crystal clear to governments," he said. "From June 16, seafarers are going to start enforcing their right to stop working and to return home."

Mr Crumlin stressed there would be no more contract extensions.

In May, the International Maritime Employers' Council and ITF agreed to a final one-month extension before crew working beyond their contracts must be repatriated. The deadline was June 15.

While acknowledging that the new approach could be highly disruptive to global trade, ITF Seafarers'

Section chair Dave Heindel said it comes after insufficient action by governments to designate seafarers as ‘key workers’, exempt them from current travel restrictions and facilitate the repatriation of about 200,000 seafarers who have been caught up in the crew change crisis.

“We are sending a very strong message to seafarers: you have selflessly extended and extended your contracts to do your part to keep critical supplies flowing around the world during this pandemic,” he said.

The International Chamber of Shipping, International Federation Workers’ Transportation and the International Trade Union Confederation say there are 200,000 seafarers serving at sea beyond their contractual tour of duty because they have been prevented from returning home.

In normal times, about 100,000 seafarers change over every month.

Shipowner and union representatives set the June 15 deadline for governments to implement crew change protocols, after which seafarers who have fulfilled their contracts will have to be repatriated.

Steve Cotton, general secretary of the ITF, said port state authorities must honour their legal obligations under the Maritime Labour Convention to get seafarers safely home.

“If getting seafarers off these ships causes chaos in supply chains — if ports back up from Singapore to San Francisco — and if this causes ship insurance providers to pull their coverage and global trade to grind to a halt; then that is on the heads of politicians, not the world’s seafarers,” he said.

“Seafarers have done our part in this pandemic, and plenty more. If a seafarer wants off a ship, then the ITF, our affiliated unions and the ITF inspectorate will do everything we can to assist them.”

Greek owners urged to halt Venezuela calls

GREEK owners are being urged to shun Venezuelan cargoes after four tankers owned by leading names were blacklisted by the US earlier this month.

The Union of Greek Shipowners — the world’s largest national shipowners’ association — is “committed to implementing US sanctions”, said its president Theodore Veniamis.

The organisation said in a statement that the “emphatic” position was underlined following a meeting this week between Mr Veniamis and Geoffrey Pyatt, the US ambassador to Greece.

The UGS would “continue to urge its members to refrain from conducting any business with Venezuela until there is a change in regime”, the statement said.

“Greek shipping constitutes a strategic partner for the transport of US imports and exports and offers reliable and high-level shipping services.”

Representing almost entirely cross-trading shipowners, the UGS is famously a champion of open markets and cannot intervene in members’ commercial decision-making.

Sources close to the UGS confirmed to Lloyd’s List this remains the case.

The statement reflects the traditional importance placed on Greek shipping’s role in serving the world’s largest economy, but also the extent to which the Trump administration’s apparent closer targeting of shipping has spooked the market.

Greek tanker owners have lifted about 78% of Venezuelan crude exports in the last 12 months, to go by tonnage calling in the Latin American country’s ports over that period, according to Lloyd’s List Intelligence data.

At the same time, North a well as South America generally generates significant chunks of the Greek-owned fleet’s business, for dry bulk carriers as well as tankers.

In 2018 for example, Greek-owned vessels made more than 12,000 port calls across the US and Canada.

In past years, analysis of LLI data has pegged North America as the focus for more than 20% of annual Greek crude oil tanker traffic and about 15% of Greek bulker traffic, although the trading patterns are volatile.

Reflective of the importance of the US for Greek shipping interests is that a UGS delegation generally visits Washington DC every two to three years.

After bilateral discussions two years ago, Mr Veniamis called the US Greek shipping’s “most

reliable and longstanding strategic and commercial partner".

At least three of the four Greece-based companies whose tankers were blacklisted on June 2 have already publicly stated that they are renouncing trade with Venezuela while US sanctions remain in place.

According to the UGS, Mr Veniamis' talks with Ambassador Pyatt reinforced a "mutual desire" to enhance the strategic relationship.

ANALYSIS

Braemar defends decision to drop dividend payout

LISTED shipbroker Braemar Shipping Services is back in the black, but shareholders will not be getting a dividend payment this year because of continued uncertainty about the coronavirus, executive chairman Ron Series has confirmed.

Full-year results published today show revenue up from £117.9m ($146.8m) last time round to £120.8m, with a £27.4m loss in 2019 transformed into a profit of £4m.

The numbers were impacted by specific one-offs, mainly related to the spin-off of the long-time loss-making technical services division into a new entity in which Braemar has only a minority stake.

In an interview with Lloyd's List last year, Mr Series' outgoing predecessor James Kidwell pledged a return to profitability, describing Braemar as "a shipping recovery play".

While Mr Series has delivered on the letter of the pledge, the task will have been facilitated by the recent huge spike in tanker rates, given that tanker brokerage remains its core business.

Mr Series said that much time had been taken this year with the disposal of technical services to Norwegian-owned Aqualis, resulting in a joint venture in which Braemar initially held 26%. That has since risen slightly due to a rights issue.

"If you talk about a recovery play, James Kidwell was certainly right. Some businesses were not performing overly well under our management, so we passed them on to Aqualis Braemar.

"They have a very strong team and we have a great deal of confidence in that business producing better results in the years going forward, even though we will have a lower percentage of that."

Asked if he was satisfied with top line and bottom line growth unveiled today, Mr Series admitted that he would ideally have aimed higher, despite challenging market conditions.

In particular, Mr Series assessed the degree of working from home necessitated by the coronavirus pandemic as a hindrance, and said that Braemar will return to office-based working once this is possible.

Star performer has been Braemar ACM Shipbroking, which benefited from the tanker bull market, being one of three largest shops in the tanker niche.

But the unit's chief executive James Gundy insisted his team had done more than simply surf the momentum, and in particular had delivered for clients who were themselves working from home.

"We were able to increase our market share across some sectors of the tanker market, because they were looking for a larger-focus broker who could help them all round, as opposed to more boutique shops.

"Could anyone do it? Of course people were making money in this market. But for us, there were some difficult deals out there to put together. And of course, the market did come off the boil."

Things went especially well on the project side, newbuildings including VLCCs, and on longer-term deals, and that generated the best performance from Braemar ACM for seven or eight years, he argued.

Axel Siepmann, managing partner of Hamburg-based corporate finance wing Braemar Naves, said coronavirus had hurt many shipping segments in terms of lost charter income and strained cashflow.

Know-how gleaned from helping sweep up the wreckage of the north German shipping bust is proving handy internationally.

Braemar Naves has picked up new restructuring mandates from hedge funds, especially through its Singapore office, and it is becoming increasingly active in Greece.

"That will most likely be the focus of our business — and also our income stream — for the next 12-18 months, I suppose," said Mr Siepmann. "Restructuring has two phases. In the first phase, you negotiate with the lenders round the table, and after a number of months, usually half the crowd wants to run for the door.

"Then it is our job to identify where replacement capital can come from, on what terms, and bring in fresh money. At the end of the day, we do not care what is the driver, so long as the business is there for us."

Mr Siepmann expects Germany to decline further.

Agency business Cory is under strategic review, and measures have already been taken to cut costs and modernise IT. With Britain facing Brexit, its old school customs clearance and freight forwarding expertise is likely to be in demand.

Port throughput is down thanks to coronavirus, said Mr Series. But despite that, no employees have been furloughed or made redundant.

"We have seen business come to us because other people have downsized. We have been able to win some new clients and do more work for the clients that we have," he said. "We're looking at some customers coming on board in anticipation of what's going to happen when we have to do more customs clearance. Cory is cautiously optimistic that that will be so."

He defended the decision not to pay a dividend, and said he expected Braemar's peers to follow suit.

"It is just a cautious approach to things. We have done our review of what is available to us in terms of liquidity requirements. Given that we do not know what the outcome will eventually be for coronavirus, we thought it would be prudent to hold the dividend."

Funding shipping's decarbonisation will not be a private issue

THE push to decarbonisation will force more shipping companies to turn to the public markets for financial support, according DNB Markets investment banking chief executive Ted Jadick.

Mr Jadick said shipping has traditionally been mostly privately owned and financed, with an emphasis on bank debt and private owners' equity as the main capital sources. But he sees the industry as being in the early stages of a shift towards a public ownership and financing model.

The sheer scale of the investment requirements for decarbonisation will accelerate ownership and financing transition, he said during a webinar for Marine Money.

"I really think that many, many of the smaller and mid-sized shipping companies — privately owned shipping companies — are simply not going to be in a position to sustain their activities with the capital, operational and regulatory requirements that these new mandates are going to bring," said Mr Jadick.

Market observers often note that shipping's decarbonisation will have to be powered through onshore technology investment.

A study earlier this year projected that for shipping to fully decarbonise by 2050 a total of $1.4trn to $1.9trn in investments will be required over a 20-year period and 87% of that would go to land-based projects.

But shipowners will also have to invest directly in tonnage with new and more expensive propulsion technologies and alternative fuels, when those arrive.

Mr Jadick predicted that many shipowners will exit the sector through the outright sale of their business or via consolidation that would most likely involve publicly traded companies in ship-for-share type transactions that allow the shipowners to stay involved in some way.

"The risks associated with.... investing in new technologies, they will be high. Private owners — with generational shifts also being a factor — we believe will be very reluctant to carry 100% of those risks on their own private balance sheets and will prefer to share them with other investors," he said.

In the meantime, he expects the role of the traditional shipping banks to continue to shrink as

capital requirements for relatively high risk, capital intensive industries such as shipping will continue to ramp up.

"That has certainly been our experience at DNB. We have responded by becoming much more selective in terms of client prioritisation [and] capital allocation, with resulting overall reduction in our exposure and number of clients. And guess what? A more profitable business at the same time," he said.

Once the largest shipping lender in the world, DNB has been rapidly cutting down its shipping portfolio over the past few years.

However, its total loans and commitments to shipping companies at the end of the first quarter of 2020 stood at NKr54.85bn ($5.75bn), up from NKr46.65bn at the end of 2019.

Traditional financing may be becoming scarcer, but Mr Jadick believes decarbonisation plays directly into the basis of environmental, social and governance investment. It could be a game changer in terms of future returns and sustainability.

Competitively priced capital will increasingly go to companies with a scale of activity and ESG-oriented platforms.

"ESG focused funds are the only growing segment for active fund manager these days in terms of customers influence. It will be critically important for shipping companies to position themselves to tap into this growing pool of funds," he said.

While there will be ESG funds that will be averse to any kind of business related to a carbon industry, Mr Jadick believes there is a large and growing pool of investors within the ESG space with a broader mandate. That is who shipping companies should be targeting, he suggested.

On the banking side, the Poseidon Principles, which DNB is a signatory of and which is meant to align lending policies with climate considerations, will have major influence in strategy, Mr Jadick believes.

But just one year in, it is still early days for the Poseidon Principles, with limited demand for new investment capital from the industry, he added.

The signatories of the Poseidon Principles are also predominantly western lenders in an industry whose financing base has shifted to the Asian markets in recent years.

Mr Jadick admitted that it is currently difficult to point to concrete examples of companies that have benefited by having a green strategy in terms of access to financing.

But it is something companies should be proactive about and they should seek to educate investors with ESG mandates on exactly what they are doing to become more sustainable.

MARKETS

Owners say worst is over for dry bulk as China-led demand rebounds

LEADING dry bulk shipping companies say the worst is over for the sector as earnings and asset values rapidly rebound from four-year lows seen a month ago.

Accelerating demand for iron ore from Brazil and Australia, as well as healthy grain shipments, are the main driver for lifting daily earnings on the largest capesize ships to their highest for 2020.

"Demand seems to be picking up fairly rapidly, particularly iron ore movements," said Hamish Norton, president of Star Bulk Carriers Corp.

"We're not seeing as much pick-up in coal but grains are going well from South America and we expect the US grain season to be good … but basically spot movements of iron ore and grains seem to be doing a lot.

"We still don't have all these fringe dry bulk trades back in working order yet … such as Japan iron ore imports, coal shipments into India and Europe fully opened up

Executives from Star Bulk Carriers, along with Golden Ocean Management and Genco Shipping & Trading were speaking at a virtual Marine Money event today. The event replaced the usual New York-based conference held annually in June.

Between them the companies own more than 200 bulk carriers.

Ulrik Andersen, chief executive of Golden Ocean Management, said while demand was driving rates higher, there was a “very positive supply situation” with the orderbook diminishing over 2021 and 2022.

Question marks over future shipping technology and regulations was keeping newbuilding orders low, helping dry bulk fundamentals, he said.

“We’re finally starting to see underlying demand increase, mostly led by China,” said John Wobsensmith, Genco chief executive.

“We will have Brazil lagging from a supply standpoint and logistical issues but that starts to over the last couple of weeks start to unwind. So there’s still more to occur even with China trying to import as much as they can now.”

Average capesize time charter rates gained nearly $1,500 today to reach $14,786 daily, according to the London-based Baltic Exchange.

Rates dipped to below operating costs, as low as $2,000 in mid-May, testing levels last seen four years ago.

Over June rates have gained three-fold on rising industrial output, mainly in China, which is responsible for more than half of the world’s steel production, which drives iron ore trade.

Coal demand was shifting from Europe to Asia and there was more electricity growth from thermal coal right now than actual production, the panel agreed.

“Even in China there are new coal-fired power plants coming on, while Vietnam has shown extensive growth last year and slated for more growth this year and in 2021,” Mr Wobensmith said.

“So as we see the coal diminish from a usage standpoint, in Europe, we’re still seeing growth in India, Vietnam, Philippines, Taiwan, Pakistan and Turkey, China.”

LNG shipping rates soften as demand fades

CHARTER rates for liquefied natural gas carriers are close to rock bottom as demand has dwindled owing to the economic slowdown caused by the coronavirus backdrop.

LNG carrier spot rates have hovered at about $31,000 per day for the past two weeks compared with $90,000 a day at the beginning of this year.

According to Stifel, LNG imports in April were down 7% year on year, while May global imports were marginally up 0.5% on year. In both cases, a portion of these shipments were for inventory building rather than to meet underlying demand.

While LNG demand has been more resilient than other commodities such as oil or coal, high inventory levels leave little room for more shipments and are keeping gas prices very low, resulting in the sharpest growth deceleration the segment has witnessed in many years.

Weaker demand has also been reflected in LNG prices, with Henry Hub prices dropping to $1.81 per million British thermal units this week. Title Transfer Facility prices, known as TTF prices, in Europe hover at about $1.66 per mmBtu, while the LNG Japan/Korea marker in Asia is at $2.07 per mmBtu.

“At these levels, there is negative economics in shipping LNG from the US to either Europe or Asia,” Stifel analyst Benjamin Nolan said, pointing out that US exports have been falling dramatically since last month.

Exports from the six operational US liquefaction terminals — Sabine Pass, Cove Point, Corpus Christi, Freeport, Cameron, and Elba Island — which are effectively swing producers, are currently down 60% from their peak earlier this year. Based on current LNG prices, there is no sign of that improving materially until the prices improve, he noted.

However, the forward curves show that improvement is not likely to happen until about the fourth quarter.

Poten expects LNG demand in 2020 to fall below the 2019 levels by 6.7m tonnes and global LNG imports to average only 29m tonnes a month from May through December compared with 32m tonnes per month from January through April.

Meanwhile, another negative impact of low prices is shorter average voyages. Not only are the longhaul trades suffering with fewer cargoes, but also with shorter average voyage durations, fewer ships are needed as well.

While a bounce back in demand and imports is needed for a rebalancing of shipping rates, the LNG shipping fleet has already grown by 2% this year following 8% growth last year. The fleet is scheduled to grow by another 5% by the end of the year and 11% next year.

"Against that level of supply growth, it would have been tough to imagine a strong LNG shipping market this year, even without the coronavirus," Mr Nolan conceded.

"Kicking LNG shipowners while they are down, both Qatar and Mozambique are finalising new ship orders, which could more than double the current backlog of ships on order."

Box terminal expansion plans put on hold

CONTAINER terminals will suffer the same pain from the coronavirus-driven downturn as their carrier customers, but with fewer means of alleviating the financial fallout.

"While container lines are taking drastic steps to mitigate steep volume reductions, with blank sailings and service suspensions reducing capacity in order to maintain rates, the port sector is unable to prevent the volume and revenue shock," Drewry senior analyst Eleanor Hadland said in a webinar.

The first quarter saw world container port handling drop by about 4% compared with the first quarter of 2019, Ms Hadland said.

IN OTHER NEWS

Norden to consolidate product tankers with Diamond S

TANKER owners Diamond S and Norden will consolidate the commercial management of their product tankers and set up one of largest medium range product tanker operators globally.

The consolidation, which was announced on Tuesday, will happen through a new entity called DiaNor, which will however be operated and marketed through Norden's existing Norient Product Pool.

Diamond S said it will initially contribute its 28 medium range product tankers to DiaNor and plans to offer its in-house product tanker commercial expertise to NPP's global network.

Braemar axes dividend despite improved results

BRAEMAR Shipping Services has reported an improved full-year performance despite volatile markets.

The company saw continued improvement in underlying performance, with a 2.5% increase in revenue and 5.5% increase in underlying operating profit to £9.6m ($12.1m), according to preliminary 12-month results to the end of February.

But it will not recommend a final dividend owing to the ongoing uncertainties surrounding the coronavirus backdrop, it said.

ONE turns to Xpress Feeders for Baltic services

THE cancellation of three of Hapag-Lloyd's feeder services in the Baltic has forced its The Alliance partner Ocean Network Express to find alternative services.

"Due to the impact of the Covid-19 pandemic, our partner has decided to suspend the Gothenburg Express (GTE), Sweden Denmark Express (SDX) and Russia Express (REX) feeder services until further notice," ONE said in a statement.

"ONE will continue to serve our customers by offering three alternate services covering the related ports in the Scandinavia and Baltic region through a structural co-operation with Xpress Feeders."

MOL agrees shipping deal with US methanol project

MITSUI OSK Lines is to invest in a methanol export project developed by US-based Northwest Innovation Works at the Port of Kalama in southwest Washington.

The Japanese owner will provide shipping services for the $2bn facility, which will convert regionally sourced natural gas to methanol mainly destined for Asian markets.

MOL said in a statement it "will invest in NWIW and will provide and operate purpose-built next-generation ships to serve the planned methanol facility," alluding to potential newbuilding plans.

Novatek's Arctic LNG 2 Train 1 on track for 2022 completion

TRAIN 1 of Novatek's 19.8m tonnes per annum Arctic LNG 2 liquefaction plant on Russia's Gydan peninsula remains on

course for completion by the end of 2022.

Novatek updated the project's status following a meeting between the chief executives of partner companies, including Total, which has a 10% stake; Novatek, 60%; China National Offshore Oil Corp, 10%; China National Petroleum Corp, 10%; and the Mitsui-Jogmec consortium Japan Arctic LNG, 10%.

Total also owns 11.6% indirect participation in the project through its 19.4% stake in Novatek, for a 21.6% aggregated economic interest in the project.

Navios Logistics lines up $500m private placement

NAVIOS South American Logistics, the Montevideo-based logistics business controlled by New York-listed Navios Maritime Holdings, has announced a $500m private bond placement.

Proceeds from the issue of five-year senior secured notes will primarily go to redeem its outstanding 7.25% notes due in 2022 and also to pay off outstandings under its $100m Term Loan 'B' credit facility.

Any remaining balance will be used for general corporate purposes, the company said.

Freight sector raises UK customs training challenges

THE UK government's decision to increase funding for customs training within a package of other measures to prepare for a post-Brexit trading relationship with the European Union has been welcomed by the freight sector.

The British International Freight Association said while it hoped the measures to accelerate growth of the UK's customs intermediary sector would be successful, there were a number of challenges. The UK said controls for importing goods would now apply from July 2021.

As well as "giving businesses more time to prepare", HM Revenue & Customs also unveiled "a new package of measures to accelerate growth of the UK's customs intermediary sector".

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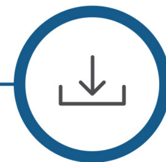

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